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United States Department of State

Washington, D.C. 20520

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June 7, 1986

TO: NEA - Richard W. Murphy
THROUGH: NEA - Marion V. Creekmore
FROM: NEA/NGA - A. Peter Burleigh
SUBJECT: Renewed Iraqi Interest in Buying Lockheed L-100s

An Iraqi team has been in the U.S. this week to discuss the purchase of ten Lockheed L-100 transport aircraft. Lockheed executives tell us that they are still some way from signing a contract, but they have gotten as far as talking about the details of payment. If the Iraqis present a reasonable payment plan, a contract could be signed by July, and the first five L-100s could theoretically be transferred to Iraq almost immediately (the aircraft are in inventory now).

The degree of interest which the Iraqis suddenly have shown has surprised us. To all appearances, the desultory four-year-long talks between Lockheed and the Iraqi government hit a new low in January when we refused to assure Iraqi Ambassador Hamdoon that Iraq would have access to C-130s "after the war." In February, Hamdoon told us rather dispiritedly that he hoped to have an Iraqi response to Lockheed "maybe by the end of the year."

In addition, Iraq has fallen into a serious financial crisis since the beginning of the year, with foreign exchange in very short supply. As we informed interested posts last month, we believed that Iraq, especially in the midst of a financial crisis, would prefer to stick with its proven French and Soviet markets for aircraft.

Ambassador Newton still argues that Iraq will probably not be able to find the money to buy the L-100s. That may well turn out to be the case, but we need to prepare for the possibility -- now a growing possibility -- that Iraq may decide to make the purchase, whatever the cost to other programs.

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A sale would encounter opposition from several sources:

- A/S Armitage opposes the sale. He argues that the L-100, although it is not on the munitions control list, is for all practical purposes a military transport aircraft. Sale of the aircraft to Iraq, he believes, would undermine our credibility on Staunch by making it look to our allies as if we have one standard for dual-use items to Iraq and another for similiar items to Iran.
- Israeli DCM Rubenstein presented a formal demarche about the L-100s on May 6, saying that Israel would oppose such a sale as contrary to its national security interests.
- There would certainly be opposition on the Hill, perhaps leading to legislation banning the sale of any aircraft, including manifestly civilian aircraft, to Iraq.

Lockheed has a valid Commerce Department license, issued in 1982 and renewed since, to export six L-100s. The State Department has never raised any objection to the sale; in fact, We have tacitly encouraged it.

OPTIONS:

- 1) We can wait. There is still a good chance that Iraq will not find the money to make the purchase. Lockheed has kept us informed of developments, and we should have some warning before a deal is concluded. However, doing nothing now would look like tacit approval; if we take that course, we should be prepared to support the sale if it occurs and not enter objections to it at a later date.
- 2) We can describe the dangers again to Lockheed -- and, more circumspectly, to the Iraqis. We have already told Lockheed about the problems we see. We can call them in for another session at a higher level to remind them of the long-term difficulties that a fight on the Hill would create for Lockheed and the aerospace industry in general. If we went no further than that, the Lockheed executives would probably listen intently, nod knowledgeably, and go ahead with the sale, which is vital to their L-100 program. (L-100s are not best-sellers).
- 3) We can tell Lockheed that, in the face of the expected Congressional opposition, we frankly do not believe the L-100 sale is possible. We can recommend strongly that Lockheed postpone discussions on the sale until after the elections, especially in light of the vote on Saudi arms.

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- 4) We can refuse to support the sale. If we were to tell Lockheed that State would not give active support publicly or in private, the company might back off.
- 5) We can actively oppose the sale, perhaps by asking PM/MC and DOD to review the case for putting the L-100 onto the munitions control list.

Past experience suggests that Congress, particularly in light of the Israelis' stated opposition, would move to try to scotch the sale. We are fairly certain that we could expect renewed campaigns from Congressman Berman and others who have objected to civilian helicopter sales to Iraq in the past. However, it might be worthwhile informally consulting with Mike Van Dusen and Graeme Bannerman to plumb their views and get their assessments of likely reactions. With both of them we could consult in confidence. If they are very negative on the prospects, NGA would recommend opposing the sale through some combination of Options 2, 3 and 4 above. If their professional judgment is that the sale would likely not raise alarming problems, NGA would opt for 1.

RECOMMENDATION

That you authorize Marion Creekmore and Peter Burleigh to informally consult with Van Dusen and Bannerman on the prospective sale and, with their reactions in hand, regroup for a final NEA decision on the sale.

APPROVE _____ DISAPPROVE _____

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